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SUBJECT: INR A/S FORT'S SEPTEMBER 25 LUNCH WITH IAS
DIRECTOR GENERAL TAKEUCHI

Classified By: Charge d'Affaires Joseph R. Donovan. Reason: 1.4 (b)(d)

¶1. (S) Summary. Over lunch on September 25, INR Assistant Secretary Fort and MOFA Intelligence and Analysis Service

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(IAS) Director General Takeuchi agreed that China and South Korea are critical players to resolving the North Korea issue. IAS Deputy Director General Shigeo Matsutomi suggested that North Korea might return to the Six-Party Talks once it concludes economic negotiations with China. Takeuchi admitted that the coup in Thailand was news to Japan, but observed that the situation appears to be under control. Asked about the prospects for intelligence reform in Japan, Takeuchi said a lot depends on Abe's Cabinet selection. Takeuchi said he and his colleagues recognize that there is much room for improvement and that Japan needs to learn how to go from "need to know" to "need to share." End Summary.

¶2. (C) During a September 25 lunch meeting with INR Assistant Secretary Randall Fort, Ministry of Foreign Affairs (MOFA) Intelligence and Analysis Service (IAS) Director General Haruhisa Takeuchi inquired about North Korea. INR Northeast Asia Analyst John Merrill responded that it is difficult to predict North Korea's next steps but he is hopeful that the North will return to the Six-Party Talks (6PT) table. North Korean officials recently told journalist Selig Harrison, who was visiting the DPRK, they might proliferate; they might be trying to change the focus of 6PT discussion away from "possession" to "proliferation" of nuclear weapons, which they might find easier to deal with and they might hope to use as a bargaining chip. This might signal that they are considering returning to the Talks, he noted, although their intentions are unclear.

¶3. (S) MOFA IAS Deputy Director General Shigeo Matsutomi added that North Korea is far from self-sufficient and must rely on other countries for its survival. Merrill agreed and pointed out that economic reform is always disruptive in any country and that North Korea's halting efforts in this regard since July 2002 requires external aid and support. Currently, China and South Korea provide some of the cushion. Japan could offer a lot of help if North Korea could find a way to normalize relations. Matsutomi remarked that China is a critical player and North Korea currently appears preoccupied with trying to extract the best deal possible from China. In October 2005, President Hu Jintao announced plans to develop mineral fields and ports in North Korea. Now, negotiations appear to be ongoing. Once these are

settled, North Korea may be more inclined to return to the 6PT, he speculated.

Leadership in Pyongyang

14. (S) Turning to leadership dynamics in Pyongyang, Merrill said that Kim Jong-il gives gifts to shore up his position. There appears to be no room for factions as such to exist, although cleavages and personal rivalries almost certainly do exist within the top leadership. Senior levels of the military appear to consider themselves "loyal soldiers" of Kim. Merrill did not believe that the military comprised only hardliners. Instead, the Foreign Ministry might take the hardest line of all, if only for its own self-preservation. It negotiates for North Korea and cannot afford to appear soft. Embassy SIMO Representative added that we have a lack of hard, collected information on North Korea and noted that most analysis is based on assessments. Agreeing, Merrill noted the necessity of probing the information available, including open source materials.

15. (C) The "threat" of a nuclear test has continuing utility as a background "Sword of Damocles" but, once a device is actually tested, North Korea will have to consider how to trump it with even more provocative act Merrill continued. Analysis of North Korea is incomplete without taking into account the personality of Kim Jong-il. Merrill commended an article on Kim's personality, which concluded that Kim is a narcissist. Takeuchi agreed with that assessment, pointing to Kim's reaction to Japan's repeated approaches on the abduction issue. In Kim's mind, Takeuchi said, he already admitted to the abductions and that should be enough to close the debate. Kim does not realize what he could get if he just returned to the Talks, Takeuchi stressed.

16. (C) When asked about Japanese Diet members' discussions with North Korean officials, Matsutomi named next Prime Minister Shinzo Abe, former Liberal Democratic Party (LDP) Vice President Taku Yamasaki and former LDP lawmaker Hiromu Nonaka but discounted their accounts as unreliable. Japan has not dealt with North Korea perfectly, but it has learned a lot over the last ten years, Takeuchi said. Future administrations in Japan and the United States will face an uphill battle when trying to convince other lawmakers, who have lived through the last ten years, that engaging North Korea can lead to a successful outcome.

South Korea's Role

17. (C) A/S Fort observed that South Korea is in a position to best understand North Korea, and, whatever Japan and the United States decide, we must factor in South Korean views. Matsutomi likened South Korea's attitude toward North Korea with that of West Germany's toward East Germany. When East Germany collapsed, West Germany had to spend a lot of money to develop the East. North Korea is even less developed than East Germany and a collapse of the regime would likely be too costly for South Korea to handle.

18. (C) Since the 1990's, Takeuchi observed, there has been a distinct change in theme in South Korean movies. The "monster" in the movies used to be North Korea, but now U.S. bases represent the monster. Misako Takahashi, Principal Deputy Director of the IAS Third Division, suggested that South Korea now looks upon North Korea as its younger brother rather than as an enemy. As South Korea's threat perception of the United States and Japan has changed, so too has its view of North Korea. Over 50 percent of South Koreans believe the Roh Administration handled the July missile launch very poorly, yet they continue to support Roh's policy of providing aid to North Korea. Takeuchi noted that South Korea's huge middle class now has something to lose if war breaks out. A/S Fort agreed that South Korea's dramatic development, even in the span of a single generation, makes South Koreans less enthusiastic about jeopardizing their standard of living.

¶9. (C) Asked about the future of U.S.-South Korea relations, Merrill noted that the South Korean readout of the meeting between President Bush and President Roh had been extraordinarily upbeat and "positive." A/S Fort noted a generational difference with the older generation not wanting to put too many strains on the alliance and the younger generation feeling more independent. Still, the President's summit with President Roh was useful, he noted.

¶10. (C) Asked about the status of Chosen Soren in Japan, Takeuchi said the organization is still active but in decline. Chosen Soren remains connected to the North and communications continue, although sanctions have made it a bit more difficult. On the other hand, Mindan, the South Korean residents group, is doing well despite its failed attempt to merge with Chosen Soren earlier this year. The Mindan leadership, pushed by Seoul, had tried to reconcile with Chosen Soren, but the effort had failed as a result of strong opposition from Mindan rank-and-file members, Tokyo Political Minister Meserve noted. Matsutomi agreed and noted a rumor that Mindan had tried to "buy out" Chosen Soren for 1 billion yen. He also added that bank remittances from Japan to North Korea fell to just 2 million dollars in 2005.

Thailand

¶11. (C) Takeuchi admitted that the recent coup in Thailand came as a surprise to Japan, but observed that the situation appears to be under control. A public opinion poll suggests that even in former Prime Minister Thaksin's stronghold over 80 percent of the people support the coup. The military seized the right moment and the stock market has been relatively calm. The military recently announced that it would move forward the timeline for choosing an interim premier. The military wants to avoid the perception that it is trying to cling to power, Takeuchi continued. Thailand has been practicing democracy for 15 years, its economy is strong, it is a leader in ASEAN and it is in a position to set the tone for the region. It is unfortunate that the change of government occurred in this way, Takeuchi stated. He expressed interest in the role of the king in the process,

and raised concern about the king's health and age.

¶12. (C) General Sonti has pushed three points, one of which is restoring stability to Southern Thailand, Matsutomi said. IAS Second Division Officer Takashi Kawabata added that General Sonti, who is Muslim, suggested holding peace talks with the separatists but Thaksin rejected his ideas. The new Prime Minister will likely take the General's suggestions into consideration, Kawabata predicted. Touching on Indonesia, Takeuchi noted that Ramadan has begun and, while the situation in Indonesia is improving, we cannot lower our guards.

Intelligence Reform

¶13. (S) Asked about the prospects for intelligence reform in Japan, Takeuchi said a lot depends on Abe's Cabinet selection. The fact that Abe appears more focused on intelligence is a good sign. Takeuchi said he and his colleagues recognize that there is much room for improvement and that Japan needs to learn how to go from "need to know" to "need to share." Takeuchi avoided answering questions on the possibility of Abe forming organizations similar to the NSC and CIA, but noted that the new administration would not enjoy a honeymoon period as it strives to get its agenda through the Diet ahead of the upper house elections next summer.

¶14. (S) Participants:

United States

Randall Fort, INR Assistant Secretary
John Merrill, INR Northeast Asia Analyst
Constance Taube, Embassy SIMO Representative
Mike Meserve, Political Minister-Counselor
Keith Jordan, Embassy Tokyo Control Officer
Tandy Matsuda, notetaker

Japan

Haruhisa Takeuchi, MOFA IAS Director General
Shigeo Matsutomi, MOFA IAS Deputy Director General
Kazuhiro Fujimura, First Division Director
Misako Takahashi, Third Division Principle Deputy Director
Naoto Nakahara, First Division Deputy Director
Takashi Kawabata, Second Division Officer

DONOVAN